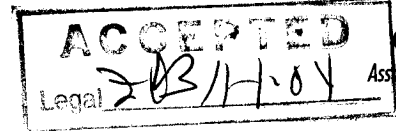




October 29, 2004



171885  
Catherine D. Taylor  
Associate General Counsel  
cdtaylor@scana.com

**Via Hand Delivery**

George N. Dorn, Jr.  
Interim Executive Director  
Public Service Commission of South Carolina  
PO Drawer 11649  
Columbia, SC 2921

Re: Application of SCE&G for Approval of an Increase in its Electric Rate  
and Charges  
Docket No. 2004-178-E

Dear Mr. Dorn:

Please find enclosed for filing the original and ten copies of the Stipulation and Settlement Agreement signed by South Carolina Electric & Gas Company (SCE&G) and the Staff of the Public Service Commission of South Carolina (Staff). Also, please find enclosed for filing in this docket the Settlement Agreements signed by SCE&G and (1) the South Carolina Energy Users Committee, (2) SMI Steel – South Carolina, and (3) Wal-Mart. The Staff, Wal-Mart, and SMI – Steel have separately consented to the SCE&G – SCEUC Settlement Agreement, as it altered some of the original agreement with the Staff. The Staff noted its consent by signature of David Butler, and Wal-Mart and SMI - Steel provided their consent by email (please see enclosures). I would appreciate your stamping the duplicate copies of these Agreements as “received” and returning them with our courier. Thank you for your kind assistance in this matter.

Sincerely,

Catherine D. Taylor

CDT/kms  
Enclosures

cc: F. David Butler, Esq.  
Elliott Elam, Esq.  
Audrey Van Dyke, Esq.  
Scott Elliott, Esq.  
Frank Ellerbe, Esq.  
Frank Knapp, Jr.  
John F. Beach, Esq.  
Damon Xenopoulos, Esq.  
Angela S. Beehler, Esq.

**BEFORE**

**THE PUBLIC SERVICE COMMISSION OF**

**SOUTH CAROLINA**

**DOCKET NO. 2004-178-E**

**OCTOBER 28, 2004**

RECEIVED  
2004 OCT 27 PM 4:58  
SOUTH CAROLINA  
PUBLIC SERVICE COMMISSION

<b>IN RE: Application of South Carolina Electric &amp; Gas Company For Adjustments in the Company's Electric Rates and Tariffs</b>	) ) ) ) )	<b>STIPULATION AND SETTLEMENT OF THE SOUTH CAROLINA ENERGY USERS COMMITTEE AND SOUTH CAROLINA ELECTRIC &amp; GAS COMPANY</b>
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WHEREAS, the parties to this stipulation and settlement are South Carolina Energy Users Committee (the "SCEUC") and the South Carolina Electric & Gas Company ("SCE&G," the "Company" or the "Applicant"), both of which are collectively referred to hereinafter as the "Parties";

WHEREAS, the Applicant has prepared and filed an Application seeking certain changes in its electric rates, charges, terms and conditions of service and tariffs;

WHEREAS, the Parties have carefully reviewed the information contained in that Application and supporting exhibits;

WHEREAS, since the filing of the Application, the Parties have engaged in lengthy discovery wherein hundreds of pages of information related to the matters at issue in this docket have been exchanged;

WHEREAS, the Staff of the South Carolina Public Service Commission (the "Staff") has audited the books and records of the Applicant relative to the matters raised in the Application;

WHEREAS, the Parties have prepared and in some cases have pre-filed written testimony in this docket;

WHEREAS, a Stipulation and Settlement Agreement has been entered into between the Staff and the Company (the "Staff Stipulation") which if accepted by the Commission would fully resolve all issues in the proceeding and would result in an increase in rates of \$51.1 million and an approved Return on Equity of 10.9%; and

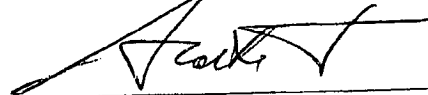
WHEREAS, the Parties have agreed to, and hereby stipulate to the following matters, which if adopted by the Commission in the order of the merits in this proceeding will, within the scope of the matters addressed herein, result in rates, terms and conditions of electric service which are just, reasonable, nondiscriminatory and supported by the evidence in the record of the proceeding.

1. The Parties stipulate and agree to the terms of the Staff Stipulation with the revisions and amendments that follow;
2. The Parties stipulate and agree to modify the Company's Application and the Company's Stipulation with the Staff in that the Company will withdraw its request for a new Economic Interruptible Service Rider. The Company also agrees to withdraw its request to close to new accounts the current Interruptible Service Rider. The Parties stipulate and agree that the Company's request to increase the interruptible cap on the current rider from 100,000 KW to 150,000 KW should be granted.
3. The Parties stipulate and agree that the Company will withdraw its request to add Section IV(D)(5) Billing and Payment Terms: Deposit, to the Company's Terms and Conditions. The currently approved Section IV(D) therefore will remain unchanged.

4. The Parties stipulate and agree that based on all items contained in the Staff Stipulation the resulting rate increase for the Large General Service class (i.e., Rates 23, 24 and applicable Large General Service Contracts) will be 1.256%. The resulting rate increase will be consistent with the Company's proposed allocation as filed in the Application in this docket.
5. The Parties' agreement to this stipulation is based on the result reached, which is a net revenue increase to SCE&G of \$51,149,000 and it is not in any way severable as to specific issues or matters contained herein. Nothing contained herein shall constitute an admission by any Party as to any specific issue or ruling or shall be considered precedential in any future proceeding.

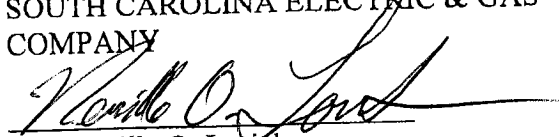
WHEREFORE we hereby set our hand and seal.

THE SOUTH CAROLINA ENERGY  
USERS COMMITTEE



By: Scott A. Elliott.  
Its: Counsel

SOUTH CAROLINA ELECTRIC & GAS  
COMPANY



By: Neville O. Lonick  
Its: President

On behalf of the Staff of the Public Service Commission of South Carolina, I consent and agree to the foregoing, and the modifications of the Staff Stipulation as set forth therein.

STAFF OF THE PUBLIC SERVICE COMMISSION  
OF SOUTH CAROLINA

---

By: David Butler  
Its General Counsel

October 28, 2004

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 2004-178-E  
OCTOBER 18, 2004

IN RE: Application of South Carolina  
Electric & Gas Company For  
Adjustments in the Company's  
Electric Rates and Tariffs

) STIPULATION AND SETTLEMENT  
) OF THE STAFF OF THE SOUTH  
) CAROLINA PUBLIC SERVICE  
) COMMISSION, AND SOUTH  
) CAROLINA ELECTRIC & GAS  
) COMPANY

WHEREAS, the parties to this stipulation and settlement are The Staff of the South Carolina Public Service Commission (the "Staff"), and the South Carolina Electric & Gas Company ("SCE&G," the "Company" or the "Applicant"), both of which are collectively referred to hereinafter as the "Parties";

WHEREAS, the Applicant has prepared and filed an Application seeking certain changes in its electric rates, charges, terms and conditions of service and tariffs;

WHEREAS, the Parties have carefully reviewed the information contained in that Application and supporting exhibits;

WHEREAS, since the filing of the Application, the Parties have engaged in lengthy discovery wherein hundreds of pages of information related to the matters at issue in this docket have been exchanged;

WHEREAS, the Staff has audited the books and records of the Applicant relative to the matters raised in the Application;

WHEREAS, the Parties have prepared and in some case have pre-filed written testimony in this docket;

WHEREAS, settlement discussions between the Parties were held at various times and the points of agreement and disagreement between the Parties were openly discussed;

WHEREAS, the Parties have agreed to, and hereby stipulate to the following matters, which if adopted by the Commission in the order of the merits in this proceeding will, within the scope of the matters addressed herein, result in rates, terms and conditions of electric service which are just, reasonable, nondiscriminatory and supported by the evidence in the record of the proceeding.

1. The Parties stipulate and agree to an increase in the Company's electric retail rates that will produce an additional \$51,149,000 is fair and reasonable and is supported by the evidence in this case. This results in a decrease of \$30,043,000 from the requested \$81,192,000, which is a 37.0% reduction in the Company's request. This will result in a total increase of approximately 3.57% on electric retail revenue measured against the adjusted test year.
2. The Parties stipulate that the proper capitalization for determining SCE&G's rates and charges shall be the capitalization as of August 31, 2004 set forth in the Staff Report.
3. The Parties stipulate and agree that a fair and reasonable Return on Common Equity ("ROE") should be in a range of 10.4% to 11.4% and is supported by the evidence in the record, including the pre-filed testimony of Staff Witness Pilalis and Company Witness Malkiel. In arriving at this range of return on equity the Parties took into account the innovative method the Company's management has requested for

recovering the construction cost of the Saluda Dam Remediation Project by using synthetic fuel tax credits to offset the cost. The Parties also stipulate and agree that for setting rates that the mid-point of the range should be used. Such mid point is 10.9%.

4. The Parties stipulate and agree to the updated capital costs, O&M expenses and depreciation expenses related to the Jasper Plant and set forth in the pre-filed testimony of Company Witness Walker and the accompanying Exhibit CLW-1 and in PSC Staff Report. The Parties stipulate and agree that the Commission's order approving the siting of the Jasper Plant (Order No. 2002-19) determined that the plant is properly sized at 875 MW when the 250 MW opportunity sale from system resources to North Carolina Electric Membership Corporation is taken into account, and further that the Commission's Order in the last SCE&G electric rate proceeding (Order No. 2003-38) properly determined that the plant was used and useful for utility purposes in its 875 MW configuration. The Parties stipulate and agree that the Company has properly accounted for the revenue related to both the 250 MW and 100 MW sales of capacity and energy made to North Carolina Electric Membership Corporation and have properly treated these sales as opportunity sales.
5. The Parties stipulate and agree that the treatment of the fixed pipeline capacity charges requested by the Company, as set forth in the pre-filed testimony of Company Witness Walker (p. 18, line 16 through p. 19, line 8), is appropriate. This treatment will result in no net change in charges to customers.
6. The Parties stipulate and agree to the Company's proposal concerning the capital cost for the Saluda Dam Remediation project. The method of recovery of the capital cost



and the required accounting treatment is outlined in the pre-filed testimony of Company Witness Addison (page 13, line 1 through page 18, line 11).

7. The Parties stipulate and agree to the Company's proposal related to the deferral and amortization of certain amounts related to its long-term disability program as outlined by Company Witness Walker in pre-filed Testimony (page 13, line 16 through page 14, line 2) as modified in Staff pre-filed testimony from a five (5) year amortization to a nine (9) year amortization.
8. The parties stipulate and agree to the Company's proposal for the treatment of costs related to the formation of GridSouth Regional Transmission Organization as outlined in Company Witness Walker's pre-filed Testimony (page 20, lines 9 through 19) excluding, however, the carrying costs accrued on the amounts in question.
9. The Parties stipulate and agree to the Company's proposal to annualize turbine maintenance expenses in order to levelize the cost over an eight (8) year period as outlined in Company Witness Walker's pre-filed Testimony (page 11, lines 6 through 20), provided however that the Company will file a report concerning the results of this mechanism reflecting data as of the end of calendar year 2007 for Staff review. The Parties also agree that the Company will accrue interest on the balance of any accrued liability resulting from this mechanism at the overall rate of return approved in this proceeding.
10. The Parties stipulate and agree to the Company's proposal related to the unrecovered fuel component of Purchased Power based on the stipulation approved by the Commission in Docket No. 2004-02-E.

11. The Parties stipulate and agree that the Company's Depreciation Study filed in this case and conducted under the direction and supervision of Company Witness Spanos is to be the basis used by the Company for both rate-making purposes and for accounting purposes.
12. The Parties stipulate and agree that the Company's request for an extension until December 31, 2010 for the accelerated capital recovery mechanism to its Cope Generating Station be approved and the upper end of the ROE range (11.4%) is the triggering return on common equity for application of this mechanism.
13. The Parties stipulate and agree that the Company's retail electric test year expenses be reduced for determining the revenue requirement in this case by \$4,168,000 which represents the portion of executive compensation attributable to SCE&G electric operations related to the increase in salary and the incremental compensation paid to the five (5) Company officers listed in SCANA's Proxy Statement.
14. The Parties stipulate and agree that the amount of employee moving expenses included in the Company's test year operating expenses is reasonable and appropriate. Such amount is reflected in the revenue requirement the Parties have agreed to in this settlement.
15. The Parties stipulate and agree that all other accounting and pro forma adjustments set forth by the Company and the adjustments as outlined in PSC Staff's Testimony are fair and reasonable and have been agreed to by the Parties providing, however, that the resulting revenue increase shall not be less than \$51,149,000.
16. The Parties stipulate and agree that the allocations used by the Company in its cost of service study, which is the same methodology used for at least the last 25 years and

which was approved by the Commission in the Company's last electric rate proceeding (Order No. 2003-38), is proper. Accordingly, the cost of service study should be used as the basis for the revenue increase and the Company's rate design.

17. The Parties stipulate and agree that the Basic Facility Charges as set forth in the proposed rates and in the pre-filed exhibit of Company witness Hendrix (JRH-4) are appropriate and should be approved.
18. The Parties stipulate and agree that the reconnection charge as requested in the Company's application is appropriate and should be approved with the exception of the sentence in the proposed Terms and Conditions at page 6 that states "When Company personnel are unable to reconnect service due to actions taken by the customer, a reconnection will apply will apply for each trip", which shall be deleted.
19. The Parties stipulate and agree that the new economic Interruptible Service Rider as requested in the Company's application and explained in the pre-filed testimony of Company witness Hendrix is appropriate and should be approved. Further, the Parties stipulate and agree that the current Interruptible Service Rider be closed to new participants but modified from the request to allow current participants to add new load not to exceed the maximum as shown in the availability section of the rider.
20. The Parties stipulate and agree that the proposed language in the General Terms and Conditions in Section IV(D)(5) – "Billing and Payment Terms: Deposit" as requested in the Company's application and explained in the pre-filed testimony of Company witness Hendrix be approved on a one-year experimental basis. The Company shall make a report to the Commission within one year of receipt of the order in this

proceeding on the use of this tariff provision, and shall include in its report any difficulties or customer complaints on the use of this tariff provision.

21. Apart from the items listed above, the Parties stipulate and agree to all other changes in rates as filed by the Company's application. The Parties also stipulate and agree that the reduction in the level of the rate increase shall be allocated to customer classes in the same proportion as the Company requested the increase to customer classes.
22. The Parties' agreement to this stipulation is based on the result reached, which is a net revenue increase to SCE&G of \$51,149,000 and it is not any way severable as to specific issues or matters contained herein. Nothing contained herein shall constitute an admission by any Party as to any specific issue or ruling or shall be considered precedential in any future proceeding.

WHEREFORE we hereby set our hand and seal.

THE STAFF OF THE PUBLIC SERVICE  
COMMISSION OF SOUTH CAROLINA



By: David Butler, Esq.  
Its: General Counsel

SOUTH CAROLINA ELECTRIC & GAS  
COMPANY



By: Neville O. Lorick  
Its: President

October 18, 2004

**STATE OF SOUTH CAROLINA**  
**BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA**  
**DOCKET NO. 2004-178-E**

In Re: Application of South Carolina )  
Electric & Gas Company for )  
Adjustments in the Company's )  
Electric Rate Schedules and )  
Tariffs )

**STIPULATION AND SETTLEMENT**

WHEREAS, SMI Steel – South Carolina is an intervenor in the referenced proceeding,  
and

WHEREAS, SMI Steel – South Carolina has received and reviewed the Stipulation and Settlement dated October 18, 2004 entered into by Applicant South Carolina Electric & Gas Company (SCE&G) and the Staff of the Public Service Commission (Staff), and

WHEREAS, SMI-Steel South Carolina's agreement to the Stipulation and Settlement is based on the result reached, which is a net revenue increase to SCE&G of \$51,149,000, and nothing contained herein or in the Stipulation and Settlement Agreement between SCE&G and the Staff shall constitute an admission by SCE&G or SMI Steel- South Carolina as to any specific issue or ruling, or shall be considered precedential in any future proceeding.

THEREFORE, SMI Steel – South Carolina, by its signature below, concurs in the Stipulation and Settlement.

SMI Steel – South Carolina

By

Its

*Kolin Keller*

October 22, 2004

**STATE OF SOUTH CAROLINA**  
**BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA**  
**DOCKET NO. 2004-178-E**

In Re: Application of South Carolina )  
Electric & Gas Company for )  
Adjustments in the Company's )  
Electric Rate Schedules and )  
Tariffs )

**STIPULATION AND SETTLEMENT**

WHEREAS, Wal-Mart East, LP, is an intervenor in the referenced proceeding, and

WHEREAS, Wal-Mart East, LP, has received and reviewed the Stipulation and Settlement dated October 18, 2004 entered into by Applicant South Carolina Electric & Gas Company (SCE&G) and the Staff of the Public Service Commission, and

THEREFORE, Wal-Mart East, LP, by its signature below, concurs in the Stipulation and Settlement.

\_\_\_\_\_  
Wal-Mart East, LP

By Angela S. Beehler

Its Director, Energy Regulation

October 27, 2004

**HENDRIX, JOHN R**

---

**From:** Angie Beehler [Angie.Beehler@wal-mart.com]  
**Sent:** Wednesday, October 27, 2004 5:04 PM  
**To:** HENDRIX, JOHN R  
**Cc:** Jess Galura  
**Subject:** RE: Energy Users Stipulation

We agree with the modifications to the staff stipulation and settlement.  
 Thanks, Angie

Angela S. Beehler  
 Director of Energy Regulation  
 Sam Walton Development Complex  
 2001 SE 10th Street  
 Bentonville, AR 72716-055  
 Phone 479-204-0437

-----Original Message-----

**From:** HENDRIX, JOHN R [mailto:JHENDRIX@scana.com]  
**Sent:** Wednesday, October 27, 2004 3:08 PM  
**To:** Angie Beehler  
**Subject:** Energy Users Stipulation

Attached is the South Carolina Energy Users Committee stipulation. If you agree with these modifications to the staff stipulation, please email your concurrence back to me and also fax the signed sheet we sent the other day with the staff stipulation. Also below, I have included language stating the increase based on the PSC staff stipulation for the medium general service class which is where rate 21A falls. Please understand that the increase quoted below is for the overall class as a whole. We have not developed any individual rates at this time and won't until we get a decision from the Commission. We will put a copy of this e-mail with the official documents filed with the Commission. Thanks for your help with this.

John R. Hendrix  
 South Carolina Electric & Gas Co.  
 803-217-7806

The Parties stipulate and agree based on all items contained in the Staff Stipulation, the resulting rate increase for the Medium General Service Class will be 3.14%.

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\*\*\*\*\*  
**This email and any files transmitted with it are confidential and intended solely for the individual or entity to whom they are addressed. If you have received this email in error destroy it immediately.**  
 \*\*\*\*\*

\*\*\*\*\*  
**Wal-Mart Stores, Inc. Confidential**  
 \*\*\*\*\*

10/27/2004

## HENDRIX, JOHN R

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**From:** WATKINS, WILLIAM G  
**Sent:** Friday, October 29, 2004 3:21 PM  
**To:** HENDRIX, JOHN R  
**Subject:** FW: SCEUC StipulationandSettlement-Final

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**From:** Keller, Kolin [mailto:Kolin.Keller@smi-sc.com]  
**Sent:** Friday, October 29, 2004 3:16 PM  
**To:** WATKINS, WILLIAM G  
**Cc:** Keller, Kolin  
**Subject:** RE: SCEUC StipulationandSettlement-Final

Bill – I have reviewed the SCEUC Stipulation and Settlement and have no issues with the settlement agreement.

*Kolin Keller  
Melt Shop & Engineering  
Phone 803-936-3764  
Fax 803-936-3828*

-----Original Message-----

**From:** WATKINS, WILLIAM G [mailto:WWATKINS@scana.com]  
**Sent:** Wednesday, October 27, 2004 7:48 PM  
**To:** Keller, Kolin  
**Subject:** FW: SCEUC StipulationandSettlement-Final

Here is the settlement agreement with the SC Energy Users Committee. We will call you about this on Friday when you return to Columbia.

Bill

---

**From:** Belton Zeigler [mailto:bzeigler@zeiglerllc.com]  
**Sent:** Wed 10/27/2004 3:07 PM  
**To:** WATKINS, WILLIAM G  
**Subject:** FW: SCEUC StipulationandSettlement-Final

Belton T. Zeigler  
Post Office Box 61136  
6 Calendar Court  
Columbia, South Carolina 29206  
Tel: (803) 787-7055  
Fax: (803) 787-4487

-----Original Message-----

**From:** Belton Zeigler [mailto:bzeigler@zeiglerllc.com]  
**Sent:** Wednesday, October 27, 2004 2:52 PM  
**To:** Cindy Westmoreland (cwestmoreland@scana.com)

10/29/2004



**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF**  
**SOUTH CAROLINA**  
**DOCKET NO. 2004-178-E**

RECEIVED  
2004 OCT 29 PM 4:57  
SC PUBLIC SERVICE  
COMMISSION

IN RE:

Application of South Carolina Electric  
& Gas Company for Adjustments in  
the Company's Electric Rate Schedules  
and Tariffs

**CERTIFICATE OF SERVICE**

I, Karen M. Scruggs, the undersigned employee of South Carolina Electric & Gas Company, hereby certify that I have this 29<sup>th</sup> day of October, caused copies of Stipulations and Agreements in the above-referenced docket, to be served on all parties of record whose names appear below via U. S. Mail unless otherwise indicated:

F. David Butler, Esquire  
General Counsel  
**Public Service Commission of South Carolina**  
100 Executive Center Drive, Suite 100  
Columbia, South Carolina 29210  
(VIA HAND DELIVERY)

Frank R. Ellerbe, III, Esquire  
Robinson, McFadden & Moore, P.C.  
1901 Main Street, Suite 1200  
Post Office Box 944  
Columbia, South Carolina 29202  
**Attorneys for Columbia Energy, LLC**

Mr. Frank Knapp, Jr.  
118 East Selwood Lane  
Columbia, South Carolina 29212

Scott Elliott, Esquire  
Elliott & Elliott, P.A.  
721 Olive Street  
Columbia, South Carolina 29205  
**Attorneys for South Carolina Energy Users Committee**

Audrey Van Dyke, Esquire

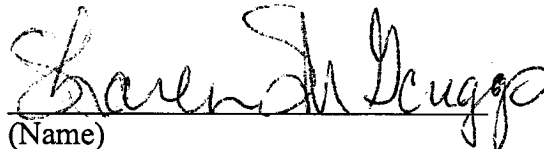
**Department of the Navy**  
Naval Facilities Engineering Command  
Litigation Office  
720 Kennon Street, S.E., Room 136  
Washington Navy Yard, DC 20374-5051

John F. Beach, Esquire  
Ellis, Lawhorne & Sims, P.A.  
1501 Main Street, 5<sup>th</sup> Floor  
Post Office Box 2285  
Columbia, South Carolina 29202  
**Attorneys for SMI Steel – South Carolina**

Damon E. Xenopoulos, Esquire  
Brickfield, Burchette, Ritts & Stone, P.C.  
1025 Thomas Jefferson Street, N.W.  
Eighth Floor – West Tower  
Washington, D.C. 20007  
**Attorneys for SMI Steel – South Carolina**

Ms. Angela S. Beehler  
Director, Energy Regulation  
Wal-Mart Energy Division  
Sam Walton Development Complex  
2001 SE 10<sup>th</sup> Street, Dept. 8017  
Bentonville, Arkansas 72716-0550  
**Wal-Mart East, LLP**

Elliott Elam, Esq.  
Consumer Advocate  
3600 Forest Drive  
Columbia, SC 29206

  
(Name)

Columbia, South Carolina  
October 29, 2004.